

Financial Times (London)
May 16, 2001, Wednesday Surveys IT11
SECTION: SURVEY - FT TELECOMMS; Pg. 11

HEADLINE: Vanishing from the landscape: PAYPHONES IN THE US by Stephanie Kirchgaessner: Despite the importance of payphones to less advantaged communities, call box operators are abandoning the market:..

BYLINE: By STEPHANIE KIRCHGAESSNER

Millions of Americans may have mobile phones, and the vast majority of the population have fixed lines, but for those who have neither, the payphone network can be a lifeline.

Even in the 21st century, nearly 5 per cent of US households are without any phone service. This creates the need for programmes such as Community Voicemail, which gives people who need communication, but do not have access to phones, a phone number and voicemail system, so that messages can be left for them and retrieved, usually from payphones.

The programme, available in 38 cities across the US, is targeted at the poor and the homeless, who need access to messages to alert them to jobs, and who are almost impossible to contact through the shelters in which they live.

It is also aimed at battered, desperate women such as Cheryl.

She could not use the phone at her home, for fear that her abuser would rip it out of the wall and hit her. Instead, she would use payphones to access messages from counsellors who convinced her to leave.

Unfortunately the programme, which provides a basic but essential function, could face serious obstacles if current trends in the telecoms industry continue. The payphone, once ordinary and readily accessible, is disappearing from the American landscape. Since 1998, the number of payphones available has decreased by 400,000 and now stands at 2.2m nationwide.

Just last month, BellSouth, a Baby Bell that covers the southeast of the US, said it would quit the payphone business by December of 2002, focusing its attention instead on the future of its business; its wireless communications businesses, which includes wireless telephones and pagers and has already seen explosive growth over the past few years.

BellSouth's decision to abandon its 143,000 payphones, which may be picked up by alternative carriers, is not surprising. The company says it saw a dramatic decrease in usage after 1998, the year wireless telecoms companies started offering packages of minutes combined with mobile phones at a reasonable price and usage rates of mobiles skyrocketed

Decreased use of payphones for people on the go since the advent of the mobile is not the only factor hitting payphone providers' businesses. BellSouth, along with Verizon, and private payphone operators are not paid for about 35 per cent of the calls made from their phones, according to Vince Sanbusky, president of the American Public Communications Council (APCC), a trade organisation which represent private payphone operators.

Until recently, payphone service providers, such as Verizon, faced the impossible: they had to collect compensation for coinless (prepaid) calls made from their payphones by multiple carriers that could not be tracked.

For example, in the past, a company like WorldCom sold minutes of payphone usage to resellers, or companies that sell calling cards and other methods of coinless phone service. Verizon has, over the past few years, been forced to turn to the resellers, not WorldCom, to receive payment. The task was largely impossible, because resellers, of which there are hundreds, were impossible to track.

In April, however, the Federal Communications Commission released an order that would modify the way payphone carriers collect their money, placing the responsibility of collecting the revenues from toll free calls on the first carrier of the call, or, in this case, WorldCom, which, for Verizon, could easily be traced.

Though payphone operators see the order as a move in the right direction by the FCC, Verizon, among others, says it has taken the US telecoms regulator too long to find a solution to a problem that has caused the payphone industry to lose what the APCC estimates to be about Dollars 300m per year.

However, despite the drawbacks, Verizon says it will remain in the payphone business, unlike BellSouth.

"We have started with about 400,000 payphones worldwide, and we intend to stick with them," Jim Smith, a Verizon spokesperson, says.

"With the challenges of wireless, we need to enhance our product line, so we have things in the marketplace that people in motion might need - such as internet kiosks. We are also experimenting with computer modem ports in payphones," Mr Smith adds.

Taxicab and bus users may even find a mobile payphone at their disposal down the road, he says.

In a time of declining revenue, Verizon is removing phones from some areas to increase returns from other areas. But cutting back in some localities does not mean the company is ruling out making a gain in market share in other lucrative areas, particularly as BellSouth makes its exit.

Meanwhile, Richelet Jean, director of Community Voicemail in New York, says the elimination of payphones contributes to a growing digital divide.

and ignores a huge part of the population that uses them for everything from emergency calls to long-distance services.

"The payphone around the corner becomes the connection to everyday life," Mr Jean says.

THE END OF THE LINE? ; THE POOR AND ELDERLY ARE AMONG THOSE MOST DISADVANTAGED

BUSINESS; Pg. B1; 1591 words

The Record

To most North Jersey residents, telephones are as much a part of their homes as a mailbox, a television, or the kitchen sink. But for some, especially urban residents, a home phone is a luxury beyond their means.

As a result, even as more and more of their neighbors upgrade to cellphones, pagers, and all sorts of high-tech communication gizmos, leading to the elimination of nearly a quarter of the nation's pay phones in just four years, many consumers continue to rely almost exclusively on public phones as a vital link to friends, relatives, jobs, and merchants.

"There's a significant constituency," said Vincent Sandusky, executive director of the American Public Communications Council, a Fairfax, Va.-based trade association representing 1,600 non-Bell-affiliated telephone companies.

More than 5.5 million homes, including an estimated 25 percent of urban poor households, do not have basic telephone service. These households rely on [pay telephones] for all kinds of calls, from the mundane to the emergency, he said.

The dramatic growth in cellphones, especially since 1998, has cut into pay-phone business. The industry peaked at 2.6 million pay phones in the United States in 1996, after new federal regulations opened the market to competition, but by last year the number had dropped more than 23 percent, to 2.06 million, Sandusky said.

At the same time, usage of remaining phones continues to fall, with volume per phone declining from an average of 712 calls a month in 1996 to about 500 now, Sandusky said.

Much of the business has gone to wireless communications. The number of cellphone subscribers, which was under 1 million until 1987, grew from 69 million in 1998 to 110 million last year, according to the Cellular Telecommunications & Internet Association, a Washington-based trade organization.

As Barbara Silkworth, president of the New Jersey Pay Telephone Association, put it, "Business is not what it used to be, and not what we would like it to be. But pay phones are still around."

The outlook is bleak enough that one of the nation's largest telephone companies, BellSouth, recently announced it would get out of the pay phone business. BellSouth operated 143,000 pay phones.

"They're just going to walk away," Sandusky said. "They can make more money selling dial tone to pay-phone providers. That's a pretty strong statement about the state of the industry right now."

Maybe so, but pay phones are still important to people such as Eva Beesley of Wallington and Starr ("I'm like Madonna; I have just one name"), who lives in Paterson.

"They're definitely a necessity," Starr said after making a call at a pay phone on Main Street in the bustling South Paterson neighborhood.

"I have no phone in my house."

Large segments of the population, particularly in the urban areas, Newark, Jersey City, the Oranges, Paterson, New Brunswick, Dover, Elizabeth, Trenton, and Camden, still use pay phones almost exclusively, said Arthur Cooper, the owner of Actel Inc., a Cedar Knolls-based private pay phone owner.

Cooper, whose company owns 300 phones in New Jersey, said his "best guesstimate" is that 20 percent of the people in the inner cities, where most of his phones are installed, lack phones of their own. Even people who can afford monthly payments are sometimes denied phones because of their "inability to maintain a credit relationship," he said. "They are precluded from having cellphones for the same reason."

Verizon Communications Inc. does not require a deposit if the customer had service in the last three years and has good credit, said spokeswoman Lacy Yeatts. But others must pay \$ 100 or more. The amount is equal to two months billing for the average New Jersey customer, Yeatts said.

That's Starr's problem. "They wanted \$ 100," she said. "Prepaid." But she can afford a pager, so Starr receives messages on her pager, and uses pay phones to get back to callers.

Even as the number of pay phones drops steadily, people in South Paterson have no trouble finding one. There are as many as six on some blocks, bolted to the facades of local businesses or standing atop curbside poles, topped by their easy-to-spot signs. Additional 1 phones are in stores and bars.

Some are owned by the long-established Verizon,, the former Bell Atlantic, and many customers consider those phones the most reliable, Beesley said. But others carry less familiar names, such as Crescent Telephone Co., Phone Tech Inc., or Cooper's Actel. Some of them offer discounted rates.

Pay phones are plentiful in other blue-collar areas dominated by foreign-born residents, such as near the intersection of Anderson and Fairview avenues on the Fairview-North Bergen border, and even in more upscale business districts, such as Main Street in Fort Lee and Cedar Lane in Teaneck.

William Gray invented the unattended coin pay phone in 1889 and installed the first one at a bank in Hartford, Conn. Pay-phone technology didn't change much between 1913, with the invention of the three-slot phone, and 1965, when modern, single-coin models debuted. The industry changed radically in 1984, when the Federal Communications Commission ruled that local phone companies had to open their networks to competitors. Quickly, the established utilities lost their monopolies. A quarter of the nation's 2 million pay phones are now owned by independents.

But after more than a century of growth, pay phone use is declining, and the phones are becoming hard to find in the suburbs, airports, and college campuses and along highways.

"In Wallington, there are no pay phones for four blocks," Beesley said.

And the volume of calls from many of those phones, as well as those at highway gas stations, has fallen, Cooper said. "It's not that the pay phones aren't used at all, but use is on the decline," he said. When that happens, phone owners pull the plug. It costs a company about \$ 2,000 for equipment and installation and to procure a location, and there are ongoing costs for line rentals and commission to the site's owner, Cooper said.

Blame it on the dramatic growth in wireless use over the last 2 1/2 years or so, said Paul Francischetti, vice president of marketing and business development for Verizon's public communications group.

"There's no question. This is a tough business and it has become even tougher," Francischetti said.

Although wireless use was cutting into pay phone business for years, the impact has been greatest since the fall of 1998, he said.

"That's when the real cellphone price wars erupted, with flat rates, nationwide coverage, free minutes. That's when the curve started changing. We saw a real dramatic change in wireless use, and that translated into a downward trend in pay phone usage."

Even with the slippage, and Bell South's decision, Verizon has no intention to exit the business, Francischetti said.

"We have different market demographics than Bell South, the kind of core users of pay phones," he said. "We tend to have more larger urban areas, we tend to have more people who still use pay phones, and use them frequently," he said.

Pay phones also remain important for "a significant segment of the working population," and it's not just the 1 "unsubscribed," like Starr and Beesley, who don't have land-lined phones.

There also are people who don't have access to a phone at work, and for whom cellphones are impractical, Francischetti said.

"I come to work, and have access to a phone on my desk," he said.

"But a large segment of the population, mostly blue collar, factory, restaurant, or service industry workers, have no access to a phone, except a pay phone in the break room or cafeteria."

There also are "wireless gap" users, who turn to pay phones because their cellphones don't work, Francischetti said. "Ten years ago, they used pay phones and wireless only when couldn't find one. Nowadays, we're seeing that kind of reversed. The 'gap phone is the [pay phone]."

"It's great when your cellphone batteries die," said Mustafa Tugezin of Paterson, who said he uses public phones often.

Pay phones also are important in group homes, halfway houses, rehabilitation centers, and other institutions that can't afford to supply all their residents communications needs, said Elaine Meyerson, executive director of Shelter Our Sisters, a Bergen County residence for women who are victims of domestic violence.

Residents rely on pay phones, Meyerson said. "They need to communicate about jobs, housing, and it gets very costly."

Heavy users also include the "pre-adult" market, a segment that cuts across socioeconomic lines, and people at airports and railroad and bus stations.

"Most of those places are dominated by multiple banks of phones, never a single phone, and we're starting to see the banks getting smaller," Francischetti said.

"Maybe five years ago, three years ago, they needed five pay phones in a bank. Now they need only four. A lot of the decline in the number of pay phones is reflective of the number of phones in banks."

That's what happened at Ramapo College in Mahwah. Two years ago there were 71 pay phones on campus; and now there are 36, including four in a new building, said spokeswoman Bonnie Franklin.

The reason? They weren't profitable.

Daily Reveille (Baton Rouge, LA) - 04/18/2001

Lack of payphones makes campus unnecessarily dangerous

Where are the pay phones on this campus? I know there are a few scattered in various buildings. However, there are some buildings where it is virtually impossible to find a pay phone and it becomes even more of a scavenger hunt once you go outside of the buildings. LSU is a large campus with over 30,000 students. It is very eerie at night in some areas on campus. Once, a couple of years back, I was stuck on campus around 2 am. after the library closed. I was lollygagging and talking to friends and then we headed in different directions to our cars. When I got to my car I had a problem starting it.

I ran back to the library but the doors were locked. I tried to see if my friends were still around but they were not. I went to various buildings pulling on doors to no avail. Finally I arrived at the Astronomy and Physics Department where luckily I saw one lone graduate student going into the building. He had a key. I told him my situation and he let me in to use the telephone in his office. He saved me that night. (Which now I know wasn't really safe either). Thank God he wasn't a serial killer or rapist.

I know that this is the age of technological advancement and that a lot of students possess cell phones but still a lot of students do not. While I do not think it is appropriate to add a pay phone to each and every corner on campus. I do feel that a couple of pay phones on the outside of buildings, or near The Union even, would be sufficient. I am sure that if I was caught in that situation other students have been also. And what about the countless visitors to our campus? I can't count how many times I have been stopped by people asking me where the nearest pay phone is.

Shienne Jones

The Bismarck (ND) Tribune , April 11, 2001

Shrinking revenues lead to a few less pay phones

JOE GARDYASZ , Bismarck Tribune

The only thing worse than not being able to get change for the pay phone: Not finding a pay phone when you really need one.

Public pay phones are disappearing from the American landscape, and North Dakota's no exception. In just the past month, pay phone companies have reduced the number of phones at Bismarck's Civic Center, the airport and around downtown.

Around North Dakota, pay phones are particularly important in poor communities such as the Standing Rock Reservation. Most people on the reservation don't have phones, and it's about a mile into Fort Yates to use one of a handful of pay phones.

At Bismarck's middle schools and high schools, free courtesy phones have replaced pay phones completely, which administrators say has proven a better service to students.

According to the American Public Communications Council, there are now about 2.2 million pay phones in service around the country, about 400,000 fewer than just two years ago.

Nationally, the majority of pay phones are operated by large "local exchange carrier" companies such as Qwest.

Like the other former Baby Bells, Qwest has cut back considerably on pay phones in recent years. Others, such as BellSouth, have opted to hang up the pay phone business entirely.

Qwest, formerly U S West, sold 400 of its North Dakota pay phones to a rural exchange carrier in 1997. Additionally, the company has taken about 20 percent of its remaining pay phones in North Dakota out of service since 1998, spokesman Kent Blickensderfer said. Qwest now operates 938 pay phones in the state, compared to nearly 1,200 three years ago.

The remainder of pay phones nationwide, about 400,000, are operated by independent pay phone providers that pay local exchange carriers for access lines.

U.S. Telecom, a pay phone company operating in 17 states, has taken about 30 percent of its phones out of service in the past three years, said Albert Mokry, the company's president. In North Dakota, the Dallas-based company has cut back from 330 phones to just fewer than 250.

With the increasing use of 800 numbers, dial-around long distance services and calling cards, the pay phone providers are getting reimbursed for only a fraction of the actual calls being made, Mokry said. At the same time, pay phones are being used less as cell phones become more prevalent.

Many of the phones that have been pulled were in libraries, schools and parks, the type of less profitable locations the companies have subsidized in the past with revenue from busier locations, he said.

Cell phone usage has also reduced pay phone revenues, but not so much in rural areas because there aren't as many cell towers there, he said.

"To me, it's a pretty simple issue," Mokry said. "We're having to take out phones that once were profitable. And locations that once were two-phone locations are one-phone or no-phone locations."

Hit hardest

Meanwhile, the trend of disappearing pay phones is hitting the poor and rural communities the hardest, according to the APCC. The council estimates one in four poor Americans living in rural areas lack basic home telephone service. It also estimates that 86 percent of rural households and 92 percent of poor households don't own a cell phone.

Residents on the Standing Rock Reservation have access to four public pay telephones, each located at Fort Yates.

Until last year, there had been just one at the police station, according to the tribal chairman's office. Additional phones were installed at the two service stations and the liquor store to cut down on calls being made from the chairman's phone, however.

The phone bill for the chairman's office reached \$4,000 a month because of tribal members using the phone for non-emergency calls, said Pearl Three Legs, executive clerk to the tribal chairman.

Now, members are sent directly to the appropriate department and are allowed to use the phone only for actual emergencies, such as a death in the family, she said.

Having a pay phone or two near the residential areas would be helpful, Three Legs said. "There's quite a difference to walk in to town. It's a good mile, three-quarters of a mile to walk in to use the phone."

In March, some pay phones contracted to the city of Bismarck went out of service after the company providing the phones went bankrupt. The

new [pay phone] provider, U.S. Telecoin, has since cut back the number of phones at each location. The Bismarck Civic Center, for instance, went from 12 phones to eight.

"You're seeing more and more people using cell phones," Civic Center Manager Dick Peterson said. "Our concern is individuals who come to an event who need to communicate to get a ride." There is a free courtesy phone people can use for local calls, however.

There are also fewer pay telephones at the airport, where seven out of 17 phones were recently removed. The explosion in cell phone usage has been a factor, Airport Manager Greg Haug said.

"You hate to lose any of them at any time, but the bottom line is they've got to be able to cover their costs and make a small amount of money off the service provided," he said.

Other high-tech conveniences may assist travelers in at least more easily e-mailing their offices. Haug said he has been approached by a company interested in installing a wireless Internet for the airport.

More efficient

In the Bismarck School District, many of the schools have replaced pay phones with free courtesy phones in the past couple of years, said Jerry Gusaas, the district's director of buildings and grounds.

"It's way more efficient to pay just the line charge than to pay for the (pay) phone system because they weren't being used enough," he said. The phones each have a block on them to prevent long distance calls from being made.

The only added cost was buying some durable phones, he said.

The school district is also experimenting with courtesy phones at several of the elementary schools in the gyms for people to use following after-hours events.

"It's awful nice for people to have that option," Gusaas said. "Kids don't have to dig for 35 cents. I suppose a lot of them have cell phones, though."



BellSouth exit from pay phone business to leave some cut off

By Bruce Meyerson
March 16, 2001

The Associated Press
Asheville (NC) Citizen-Times, NC

Gummy handsets. Jammed coin slots. Inflated calling rates. There are plenty of reasons not to use [pay phones], especially with mobile phones growing ever cheaper for daily use.

The nation's big local phone companies, which also happen to triple as the nation's biggest [pay phone] and wireless operators, couldn't agree more - a point made clear by BellSouth Corp.'s abrupt decision to ditch all 143,000 of its [pay phones] by the end of 2002.

While many states are already facing a sharp drop in [pay phones] - a half million have vanished from the national landscape over the past five years - few envisioned having to deal with the void created by a full-scale pullout by one of the Baby Bells.

So far, there's been no official protest of BellSouth's move by federal or local agencies, though state regulators say they're determined to maintain a minimum level of [pay phone] access as a matter of public safety and basic services.

Certainly, with more than a third of the U.S. population toting around mobile phones, many people have a handy alternative.

But often enough, there's still no good substitute for a [pay phone], both in the remote areas where the slow trickle of calls makes it hard to generate profits, and in the high-usage urban centers, where phones are prone to costly vandalism and fraud.

Cellular service is scarce in the swamps of Louisiana and other remote areas in the nine-state region in the Southeast served by BellSouth.

And nationwide, nearly 6 million homes don't have local phone service, with seven of the BellSouth states ranking among the weakest penetration levels in the country.

"I can tell you that not everyone has a phone or cellphone," said Christine Norwood, manager of an Amoco gas station in Jackson, Miss. With two colleges and several apartment buildings nearby, the station's BellSouth phones take in some serious change.

"It's busy out there at certain times of the day - around noon, around

5 and late at night."

Ernest Turner, who owns Mid-Way Stop & Shop in Baconton, in rural southwest Georgia, said the BellSouth phone outside his store is used heavily by migrant produce workers who stay in the area for only about three months each year.

The Federal Communications Commission wouldn't comment on BellSouth's plans. But the topic could come up as part of the agency's current deliberations on the thorny issue of how long-distance companies compensate [pay phone] providers for toll-free, collect and other dial-around calls.

Worried about the potential backlash, BellSouth made sure to consult with state regulators before announcing its plan and said it will continue to discuss the matter with them.

"It's nothing we don't feel we can't work out," said Jeff Battcher, a BellSouth spokesman.

The Atlanta-based company argues that many of its phones will be purchased by independent operators, but some observers say those carriers will buy only the most profitable phones.

"A public-interest [pay phone], by definition, doesn't pay for itself, so why would anybody buy something that doesn't pay for itself?" said James Ramsay, general counsel for the National Association of Regulatory Utility Commissioners. "The market won't solve that problem, so the problem has to be solved by regulators. The FCC will definitely have to look at it."

Even a [pay phone] that is profitable for a Baby Bell may be a money loser for another operator unless the FCC evens the playing field, says Albert H. Kramer, attorney for the American Public Communications Council, a trade group representing 1,600 independent carriers who operate about 500,000 [pay phones].

Kramer says independent carriers are shortchanged by long-distance companies and the Bells overcharge them to connect [pay-phone] calls.

Some state agencies are looking into ways to keep [pay phones] available.

In Louisiana, "we have bayous and lakes everywhere and we have public boat landings in the middle of the boondocks, and we like to have a [pay phone] there if there's an accident," said Lawrence St. Blanc, executive secretary of the state's Public Service Commission.

"Now that (BellSouth is) getting out of the [pay-phone] business, we're faced with the issue of who's going to be the [pay-phone] operator of last resort," said St. Blanc. "We may talk to Bell and say you've got to get back into the [pay phone] business. But when you do something like that, you do have to have some concession for payment to them."

It's hard to blame BellSouth for wanting to leave the [pay-phone] business, a part of the telephone industry that's never been very

profitable and promises to grow ever more difficult with the growing competition from wireless phones.

"It was a marginal business 20 years ago," said Rex Mitchell, an industry analyst for BB&T Capital Markets and a former Bell System employee.

The number of [pay phones] nationwide has plunged to 2.1 million from 2.6 million only five years ago, when the Telecommunications Act of 1996 freed the Baby Bells of many obligations to operate "public interest" [pay phones] in otherwise unprofitable settings.

But faced with the new reality as expressed by BellSouth, many officials and consumer advocates argue that the Bell monopolies still have certain obligations.

Some consumer advocates feel the government would be justified in forcing the Baby Bells to shoulder the burden in exchange for being allowed to control the phone lines connecting homes and businesses in their markets.

"I wouldn't be surprised to see a local government step up and say, 'Hey, you're not going to take the phones away from the schools and public roads,'" said Mitchell.

"The responsible thing for the government to do would be to say that this phone is for the public good, so they will pay for it. But the expedient thing for the government to do is say, 'You have to continue with this obligation.'"

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(updated April 21, 2000).

Yanking pay phones is like pulling plug on people's lives

By Rob Borsellino
February 22, 2001

By the time she was 30, J.B. had a dying husband, a 5-year-old kid, a small, dark apartment in the projects and a dead-end factory job. She was making about \$40 a week, lousy money even back in the mid-1950s. A year later she was a widow and that \$40 was the only thing between her and the street.

She had to sell the car, take the kid out of Catholic school and give up any hope of moving out of the projects. Movies and an occasional dinner out were pretty much a thing of the past. She started walking to work, saving the \$2-a-week bus fare and using it for small luxuries like ice cream or pizza or the kid.

There were other day-to-day things she had to give up, a lot of it painful. But nothing hurt as bad as having the phone turned off when she couldn't pay the bill. That meant she had to go up the block to the candy store to use the pay phones. That store was the local nerve center, the hangout. So she'd be standing there waiting to make a call and her neighbors were dropping in to get a pack of cigarettes, coffee or a newspaper.

J.B. felt like she was wearing a sign that said: "I'm broke."

And it was even rougher on her kid. He'd be waiting to talk to his grandmother while his friends were in and out of there getting baseball cards, a soda, thumbing through a comic book. Most had the decency to make believe they didn't see him. A few had to be jerks about it.

This went on until the kid was about 11 and got a paper route. With

that money they had the phone turned on, but the trauma stayed with them for years.

I got to thinking about J.B. the other day when I saw that some of the honchos in Delray Beach are trying to get the public phones pulled from the western edge of Atlantic Avenue. They say those phones are fueling a crime problem. Get rid of them and you help clean up that area.

What caught my eye was a line from Rosalind Murray, a city official who said: "I bet that 99 percent of the people who use them are undesirables."

It seemed like a pretty cold thing to say. I wanted to see for myself. So I went and hung out near the front of the Atlantic Grocery on Seventh to see who came by to use the pay phones.

First up was Rhoda Wilson, a single mother who works as a bookkeeper down the street. Her son was home sick and she was checking in. She doesn't like to use the phone at work for personal calls. Wilson hadn't heard about the push to get rid of the phones and had a hard time believing it.

"This is a neighborhood grocery store. You come out, you use the phone. People in their cars pull over all the time to use the phone. What is the problem?"

Criminals? Drug dealers?

"Drug dealers have cell phones and beepers. You think they're going to stand here in the middle of the busiest street around here and use the phone? They probably figure it's tapped anyway."

She headed back to work and a few minutes later Charles Alford came by. He's a landscaper, lives around the

corner and rarely uses the pay phones. But he's glad the phones are out there because a lot of folks need them. Alford heard they might be pulled, and he wasn't surprised.

"There are people around here who think everything about this neighborhood is a problem. It's not about phones. It's about this community. Most of the people down here are working hard to raise their kids and they get treated like they're all criminals."

Fred McCrimion, a trucker from Lake Worth, stopped by to call his girlfriend. A guy on a bike pulled up to let his wife know he'd be home in an hour.

Lisa couldn't carry her groceries and needed a ride back to Linton Boulevard. She called a friend, then sat on the curb and waited.

"I've got AIDS and I get tired quick. If they take these phones away I don't know what I'm going to do. We need these. Things happen around here and we got to call the cops, paramedics. It's unfair."

Her ride showed up, she left and others came by to use the phones. They weren't the best-dressed, most articulate folks you'd meet in Delray Beach. They were a mix of street people and working class, mostly locals, some just passing through town. Some were real slick, some had a few rough edges.

They were the kind of folks you'd have found waiting on line with J.B. and her kid

Rob Borsellino is the local columnist in Palm Beach County for the Sun-Sentinel.

REMOVAL OF MANY PAY PHONES POSES PROBLEMS FOR SMALL-TOWN RESIDENTS

ECONOMICS: COMPANIES BLAME COMPETITION FROM CELL PHONES AND 800 NUMBERS. BUT SOME PEOPLE SAY THE SERVICE IS THEIR LIFELINE.

January 22, 2001
By Bettina Boxall
Times Staff Writer

The pay phone in Goodyears Bar, population 100, is gone. So is the one in Gazelle, population 400, and the one at the public school in pint-sized Pike.

The ubiquitous pay phone is disappearing from lonely outposts and city street corners throughout the state, the victim of cellular phone competition and other economic pressures.

In the last year, companies yanked out about 1,000 pay phones a month in California. No one is predicting that coin box phones will vanish from the landscape, but their declining numbers are stirring outcries in rural settlements and urban neighborhoods alike.

The loss is particularly painful in the back country, where cell phones may not work and some residents may not have a phone line to their house.

It doesn't sound really serious when you say, 'Take a pay phone out here and there,' if you live in a city," said Siskiyou County Supervisor Bill Hoy. "But when you take one out of a community and it's 10, 20 miles or 100 miles to the next pay phone, it's different."

Since Gazelle, a farm and ranch community about 20 miles from Mt. Shasta, lost its lone pay phone last fall, Postmaster Barry Thomsen has had to come to the rescue of a local woman with pneumonia and a man who ran out of kerosene to heat his trailer.

They both asked him to phone for help, which he did.

"I just wonder, if there's a real emergency when I'm not open, what people do," Thomsen said. Sure, they can go to a house, he said, but "if [the residents] don't know you and it's dark, some of these people are not going to be eager to open their door."

Thomsen is crossing his fingers that the nearest pay phone, nine miles away, doesn't get carted off as well.

Over in Goodyears Bar in scantily populated Sierra County, Cheryl Morse tried without success to get Pacific Bell to reinstall the public phone that was removed in late 1999 from the spot where it had stood for at least two decades, next to an old one-room schoolhouse.

"Tragedies happen, and we need that phone booth there. It's that simple," she said.

Cell phones don't work in the little enclave, next to a fork of the Yuba River popular with rafters. "It's just scary that there is no phone there now for any kind of emergency," Morse said. "That river is used a lot."

Pacific Bell is in the process of taking out about 22,000 of the 140,000 pay phones it owns in California. Other companies are pulling out some of their public phones.

There are now 258,658 pay phones in California, compared with 270,000 a year ago, according to the state Public Utilities Commission.

Pay phone owners say the shrinking numbers are a simple product of economics.

The cell phone explosion has stolen customers, and the growing use of 800

numbers and debit cards has made it harder for pay phone companies to collect fees from carriers.

Changes in federal regulations in 1996 also barred phone companies from subsidizing their pay phone divisions with revenue from other parts of their operation.

All that means that unprofitable pay phones are under scrutiny as never before.

"I think there's a lot of phone removal to come," said Thomas Keane, president of the California Pay Phone Assn. and chief executive of Pacific Coin, which owns pay phones in California, Arizona and Nevada.

The trend is evident across the country.

Vince Sandusky, president of the American Public Communications Council, which represents the pay phone industry, estimated that the number of pay phones peaked nationally in 1998 at 2.6 million. That figure has since fallen by more than 400,000.

Martin Garrick, who owns a small pay phone company in San Diego, goes so far as to characterize his industry as "a buggy whip business" on the wane because of market and technology forces.

"Having a pay phone that someone has to clean and repair every month when that's no longer subsidized is no longer feasible," he said.

Pacific Bell media relations director John Britton and other phone industry representatives pointed out that California does have a fund that will subsidize public phones if they are deemed necessary for public health

and safety.

The PUC said a number of applications to the fund are pending, but there are now only 75 such phones in the state.

And if a store owner or community really feels a pay phone is necessary, Garrick said, they can install their own for \$1,500 to \$2,000 and then pay monthly line fees of \$30 to \$50.

Indeed, Britton said that after Pacific Bell removed pay phones from campuses in a Bay Area school district, officials decided to lease seven phones to get them back on school grounds.

That's unlikely to happen at Pliocene Ridge Schools in the Sierra County hamlet of Pike.

"Ha ha," responded special education teacher Rayette Ringle when asked whether the school might replace the phone removed by Pacific Bell last year.

The 100 or so students at the small school, kindergarten through 12th grade, greatly miss the pay phone, she said. "It makes you feel like you're connected. It was scary to see it ripped out."

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PAY PHONE DECLINE HURTS THOSE IN NEED

January 7, 2001

By John Bankston
Staff Writer

Travis Burke, a public communications technician with BellSouth, repairs a pay phone in the West Town Plaza shopping center on Washington Road. CHRIS THELEN/STAFF

In the age of cell phones and wireless connections, 5.7 million American households still lack residential phone service.

For these families, pay phones aren't a luxury - they're a necessity. Last year alone, Georgia lost 1,700 pay phones. There were about 2.6 million pay phones in America in 1998; that number shrank to nearly 2.1 million in 2000.

The decrease coincides with the increasing popularity and affordability of wireless telephones.

But the American Public Communications Council, a lobbying group for independent pay phone companies, says local phone companies and long-distance providers have accelerated the decline by not adequately reimbursing pay phone providers under federal regulations.

The organization says pay phone disconnection has a disproportionately negative impact on poor and minority households - people who are most likely to not have residential phone service.

APCC President Vince Sandusky said local phone companies overcharge independents for connections, and long-distance companies do not fully compensate

them for some types of pay phone calls.

The decrease in the number of pay phones coincides with the increasing popularity and affordability of wireless telephones. STAFF

"They're getting squeezed from both sides," Mr. Sandusky said. "It makes a huge impact on whether it's economical to keep a phone in place."

Both the overcharging and the undercompensation are contrary to the spirit of the Telecommunications Act of 1996, which was designed to open local phone service to competition.

Telecom Act problems

Independent pay phone service providers pay a monthly fee to local phone companies, such as BellSouth, for a dial tone. The Telecom Act requires local phone companies to provide the hookup at near-cost so local companies can't use their monopoly pricing power to squelch competition.

"Unfortunately, the Feds never issued clear guidelines as to what 'cost' means - it was left up to the states to decide," Mr. Sandusky said.

Some phone companies use this interpretive freedom to set high costs with generous profits built in, Mr. Sandusky said.

BellSouth charges independents in Georgia \$33.80, which is the true cost of providing service to any customer, BellSouth spokesman Joe Chandler said.

However, he pointed out, residential customers pay less and business customers pay more.

"We charge less than \$18.50 for residential phone service," he said. "We charge businesses well above \$33. Historically, business has always subsidized residential phone service."

Demographics of cellular phone ownership

Category/ Percent of People Owning Cellular Phones

Household Income over \$75K/53 percent

\$10,000-20,000/ 13 percent

Less than \$5,000/ 8 percent

Urban/ 32 percent

Suburban/ 54 percent

Rural/ 14 percent

Mr. Chandler said BellSouth's rate for pay phone companies was \$46 a month. The new lower rate took effect July 1, 1999, after negotiations with the Georgia Public Communications Association, a state association of independent pay phone providers.

But the APCC said the fee should be no more than \$20, well below the \$55-\$60 that the average independent pay phone provider pays in the United States.

"The fight federally is to get the FCC to issue clear guidelines," Mr. Sandusky said. "For the most part, the phone companies are on one side and we're on the other."

The Telecom Act also requires independent pay phone service providers to be compensated 24 cents for each "dial-around" call, which is a call made through a service such as 1-800-COLLECT and 10-10-220, in addition to toll-free 800 numbers.

Yet the APCC says independents go unpaid on 35 percent of dial-around calls because large long-distance companies, such as AT&T and MCI WorldCom, have not been held responsible for the second- and third-tier companies they allow to use their networks.

The smaller companies, which buy the larger company's excess network capacity at wholesale prices, are the last link in the chain and are theoretically responsible for compensating the independent pay phone companies under Federal Communications Commission rules.

The trouble is, the large phone companies do not disclose, for proprietary reasons, their wholesale customers. Pay phone companies have no way of knowing which calls were wholesale, and to whom.

In the heady world of independent pay phone telecommunications, payment for services rendered hinges on the honor system.

"The system itself is the problem," Mr. Sandusky said. "Essentially, you get paid by those who recognize their obligations; you don't get paid by those who don't."

He estimates uncompensated pay phone calls cost independents \$300 million per year.

The American Public Communications Council is lobbying the FCC to revise its regulations to require the first link in the chain be responsible for compensation.

"That's the only way it's able to be audited," Mr. Sandusky said.

Creating a social issue

According to the U.S. Census Bureau's March 2000 survey, 95 percent of American households have telephones. For families with incomes below \$10,000, that number drops to

88 percent. For families with incomes below \$5,000, it drops to 80 percent.

The trend continues in minority households: 95 percent of white households have telephones; 90 percent of black and Hispanic households do.

Poor minorities fare even worse. Just 71 percent of black families earning less than \$5,000 per year have a telephone; 81 percent of poor whites do.

A sampling of independent [pay telephones] disconnected between January 1998 and July 2000 in Illinois, Maryland, Michigan and South Carolina shows the percentage of disconnected pay phones in ZIP codes with high percentages of poor and minority households is significantly high.

"It breaks down on racial and income levels," Mr. Sandusky said. "Pay phones are disappearing in economically disadvantaged neighborhoods and minority neighborhoods, where they're clearly needed the most. Many households depend on pay phones because they don't have a phone in the home."

ZIP codes with a high minority percentage in Maryland and Michigan have experienced about double the proportion of disconnected pay phones compared with the states' populations.

The proportion of disconnected pay phones in the low income and minority ZIP codes of Illinois and South Carolina are also greater than those of the states' populations.

In order to get the FCC to change its regulations, Mr. Sandusky said he plans to stress the situation's social aspects.

"There's no appetite for the FCC to continue the battle, and the carrier community would dispute some of this stuff," Mr. Sandusky said. "Some carriers say the system is not broken; some say it is. Pay phone service providers want to see a change. Perhaps by stressing the social elements, we will see some action."

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Wednesday, November 1, 2000

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Pay phones becoming extinct?

Cellular, prepaid cards cutting into service many use

By Kim Kozlowski / The Detroit News

DETROIT -- Debra Jacobs was waiting for the next bus to take her home earlier this week when she realized she was running late.

So Jacobs, 33, reached into her pocket for some coins and turned to a nearby pay telephone -- her lifeline for connecting with family, friends and her children's teachers.

"I don't have a phone at home so I use pay phones every day," said Jacobs, a Detroit resident. "I don't know what I would do without them."

As cell phone ownership explodes and prepaid phone cards gain popularity, the trusty pay phone is suffering from neglect and being removed, often from areas that need them the most.

Over the past two years, 300,000 to 400,000 pay phones across the country have been removed from mostly urban and rural areas because they are no longer making money.

Michigan's estimated 100,000 pay phones have dwindled by about 10 percent in recent years, leaving empty shells as a reminder of a 20th-century icon quietly becoming less of a necessity than in the past.

But don't call pay phones dinosaurs just yet.

Though more than 100 million people own cell phones, there are still 2.5 million pay phones on the streets, providing salvation for runaways, victims of domestic violence and the 5.7 million people who don't have phones in their home.

"Pay phones are not relics and they are



David Guralnick / The Detroit News

Debra Jacobs, 33, of Detroit uses pay phones because she doesn't have a home line. "I don't know what I would do without (pay phones)," she said.

Facts about pay phones

Think pay telephones are a relic of the past? Think again.

* For millions of Americans, the pay phone is the only phone, and a vital link to the outside world.

* Pay phones provide an important public service for victims of domestic violence, runaways, substance abusers, and health information with 24-hour-per-day access to toll-free hotlines.

* Pay phone technology is evolving with Internet kiosks, video phones and other products that will put modern telecommunications technology in the hands of consumers who can't have it any other way.

Source: The American Public Communications Council.

Cell phone use

Cell phones are one of the reasons pay phones are becoming less necessary for millions of Americans. Southeast Michigan leads the nation in the percentage of people who own cell phones, according to Scarborough Research in New York.

* 64 percent of 24 million adults 18 and

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 (updated April 17,
 2000).

not becoming extinct," said Vince Sandusky, president of the American Public Communications Council Inc. "But the industry is under considerable pressure because of wireless technologies and other ways to communicate."

The American Public Communications Council recently asked its members, independent pay phone providers, to take a random survey detailing the number of pay phones they have removed.

Though the response was minimal, the data showed that often pay phones were being removed from urban and rural areas.

"We do think the disadvantaged areas are the ones most likely to suffer from pay phone loss," Sandusky said. He said people living in those areas likely can't afford a cell phone.

Since cell phones have come on the market and become more affordable, they have transformed our society. Nowadays, it is not unusual to hear cell phones ringing in restaurants and theaters or see people talking on them when they are hiking in the woods or driving their car.

Southeastern Michigan especially loves cell phones: It leads the nation in the percentage of people who own cell phones. According to a study last month by New York-based Scarborough Research, 64 percent of adults in the region own a cell phone, beating out other large cities such as Chicago, New York and San Francisco.

But the popularity of cell phones isn't the only reason that pay telephones are suffering a blow.

More people are buying prepaid calling cards or using their own calling cards to make calls at pay telephones and not depositing coins into the phone.

Long-distance companies are supposed to reimburse pay phone owners for these calls, but not all of them are doing so, according to the American Public Communications Council. As a result, pay telephone providers have lost millions of dollars in revenue.

In addition, independent pay telephone providers claim owners of the telephone lines are overcharging them.

Bart Lewin, executive director of the Michigan Pay Telephone Association, called the fee "exorbitant" in Michigan.

"Removal of pay phones has always occurred," Lewin said. "There's greater challenges in the industry today than there was a few years ago."

The viability of pay telephones may depend on pay phone operators finding alternative sources of funding, such as installing equipment to offer Internet access. But such innovations are in their infancy.

Pay telephones have been around since the 1889 and are credited to William Gray, who desperately needed a phone while he was away from home but couldn't find one. Since then, one only has to look every few blocks to see the familiar blue pay telephone sign.

John Ford found one the other day when he received a page from a friend while

64 percent, or 2.4 million adults 18 and over, own a cell phone in the counties of Wayne, Macomb, Oakland, Livingston, Monroe, St. Clair, Lapeer, Sanilac and Washtenaw.

* Detroit also ranked No. 1 in 1998.

* Other high cell phone ownership rates were in the regions of Chicago, Baltimore, Charlotte, N.C., and Atlanta.



David Coates / The Detroit News

Calvin Bowman of Dayton, Ohio, uses a laptop computer to hook up to the Internet via pay phone at the airport.

driving through Detroit. Though he owns a cell phone, he still found a pay phone across the street from Belle Isle to call his friend and chat with him for several minutes. Why? Because it was cheaper than using his wireless.

"As long as it's on the way," Ford said, "it's no problem."

You can reach Kim Kozlowski at (313) 222-2024 or at kkozlowski@detnews.com.

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April 15, 2002

William F. Caton, Acting Secretary
Federal Communications Commission
The Portals
445 12 th Street, S.W., TW-A325
Washington, D.C. 20554

Re: Early Period (1992-96) Compensation: Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128; Colorado Payphone Association Petition for Reconsideration re Retroactive Adjustment of Intermediate Period Compensation

Dear Mr. Caton:

This letter amplifies the American Public Communications Council's ("APCC") earlier *ex parte* submission¹ showing that interexchange carriers ("IXCs") avoided millions of dollars in dial-around compensation payments to independent payphone service providers ("PSPs") between June 1, 1992 and November 6, 1996 ("Early Period") due to the Commission's erroneous determination that it lacked statutory authority to prescribe compensation for subscriber 800 calls.² In deciding what, if any, retroactive compensation adjustments are warranted by equitable considerations for the Intermediate Period (October 7, 1997 – April 21, 1999), the Commission must consider the revenue shortfall experienced by independent PSPs in the Early Period.³ In the Early Period, as a result of the Commission's erroneous

¹ See letter from Robert F. Aldrich to Magalie Roman Salas, December 13, 2001 ("December 13, 2001 Ex Parte")(attached as Attachment 1 to this letter).

² *Florida Public Telecommunications Association, Inc. v. FCC*, 54 F.3d 857 (D.C. Cir. 1995)(*FPTA*). Subscriber 800 calls are calls to an 800 number assigned to a particular subscriber. The subscriber pays the IXC that it preselects to carry the call.

³ See Colorado Payphone Association's pending Petition for Reconsideration, filed April 21, 1999, seeking reconsideration of *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Third Report and Order and Order on Reconsideration of the Second Report and

interpretation of Section 226(e)(2), IXC's were able to avoid payment for all subscriber 800 calls, the majority of dial around calls. *FPTA*. To award retroactive refunds to IXC's for the Intermediate Period despite their massive avoided payments in the Early Period would unjustly enrich IXC's, who benefited from subscriber 800 calls originating from payphones in the Early Period but who did not compensate independent PSP's for the cost of originating such calls. Moreover, failure of the Commission to consider the Early Period would unfairly penalize independent PSP's who have been significantly undercompensated when considering all time periods together.⁴

Based on conservative estimates of the amount of compensation that would have been due for subscriber 800 calls during the Early Period if the Commission had correctly interpreted Section 226(e)(2) of the Act, 47 U.S.C. § 226(e)(2), independent PSP's who were clients of APCC's payphone compensation clearinghouse were undercompensated for subscriber 800 calls by approximately \$82 million in the Early Period. By contrast, if (despite APCC's showing that PSP's were undercompensated in the Intermediate Period as well) the Commission were to conclude that independent PSP's should retroactively refund compensation to IXC's for the Intermediate Period, APCC's independent PSP clients would owe IXC's a total of approximately \$33 million.⁵ Neither of these estimates includes an estimate of interest on under- and over-payments. As a group, IXC's have underpaid independent PSP's by some \$49 million, at least, when the Early and Intermediate

Order, 14 FCC Rcd 2545 (1999) ("*Third Payphone Order*"), *aff'd*, *American Pub. Com. Council v. FCC*, 215 F.3d 51 (D.C. Cir. 2000).

⁴ Independent PSP's have been undercompensated for dial-around calls in every time period under consideration in this proceeding, including the Intermediate Period. As APCC has explained in previous submissions, in the Intermediate Period independent PSP's failed to recover the cost of a marginal payphone even at the per call compensation rate of \$.284 per call. *See, e.g.*, letter of March 26, 2001, from Albert H. Kramer to Dorothy Attwood ("*March 26, 2001 Ex Parte*"). *See also* letter of April 15, 2002, to William F. Caton, Acting Secretary, FCC, from Albert H. Kramer and Robert F. Aldrich re Standard for Granting Retroactive True-ups.

⁵ This calculation is based on the difference between the per call compensation rate of \$.284 prescribed in the *Second Payphone Order* and the current rate of \$.238. *See Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Second Report and Order, 13 FCC Rcd 1778 (1997) ("*Second Payphone Order*"), *remanded*, *MCI Telecommunications Corp. v. FCC*, 143 F.3d 606 (D.C. Cir. 1998).